

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 09605 01 OF 02 010821Z

12

ACTION EUR-12

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INFO ALL EC CAPITALS 2549

AMEMBASSY MADRID

CONFIDENTIAL SECTION 1 OF 2 EC BRUSSELS 9605

E.O. 11652: GDS

TAGS: ETRD SP EEC

SUBJECT: EC RELATIONS WITH SPAIN

REFS: (A) EC BRUSSELS 5870, (B) EC BRUSSELS 4500, (C)

MADRID 4511

1. SUMMARY: PURSUANT TO SEPTEMBER 20 REQUEST BY EC COUNCIL, EC COMMISSION AND COREPER ARE BEGINNING TO REEXAMINE NEGOTITING MANDATE WHICH COMMISSION HAD RECOMMENDED TO COUNCIL LAST SUMMER FOR CONDUCT OF NEGOTIATIONS WITH SPAIN DESIGNED TO INCLUDE THE THREE NEWEST EC MEMBERS UNDER THE 1970 EC-SPAIN TRADE AGREEMENT. SPAIN SEEKS LIMITED, TECHNICAL ADJUSTMENT OF 1970 AGREEMENT TO BRIDGE GAP BETWEEN PRESENT AND HOPED-FOR EARLY ACCESSION NEGOTIATIONS FOR SPANISH EC MEMBERSHIP FOLLOWING SPAIN'S PARLIAMENTARY ELECTIONS. EC COMMISSION, HOWEVER, WANTS A MORE COMPREHENSIVE INTERIM AGREEMENT MOVING SPAIN SIGNIFICANTLY CLOSER TO FREE TRADE WITH EC, AS ENVISIONED WHEN EC-SPANISH TALKS TO UPDATE 1970 AGREEMENT WERE FIRST INITIATED IN 1973-4. COMMISSION OFFICIALS AND SPANISH MISSION TO EC AGREE THAT HARD BARGAINING LIES AHEAD. END SUMMARY.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 09605 01 OF 02 010821Z

2. FOLLOWING CONCLUSION OF COMMISSION-SPANISH EXPLORATORY TALKS LAST JUNE (REF A) EC COMMISSION FORWARDED TO COUNCIL A RECOMMENDED NEGOTIATING MANDATE FOR REVISING 1970 EC-SPAIN AGREEMENT TO TAKE ACCOUNT OF COMMUNITY ENLARGEMENT IN 1973. RECOMMENDED MANDATE'S BASIC THRUST WAS TO MOVE EC-SPANISH RELATIONS A SIGNIFICANT DISTANCE ALONG THE ROAD TOWARD FREE TRADE, AS ENVISAGED IN 1973-4 MANDATE WHICH GUIDED NEGOTIATIONS BEFORE THEY WERE SUSPENDED IN AUTUMN 1975. MANDATE RECOMMENDED THIS JUNE CALLED FOR SUBSTANTIAL EC AGRICULTURAL CONCESSIONS AND SOME FURTHER REDUCTION OF EC INDUSTRIAL TARIFFS. ON OTHER SIDE OF EQUATION, MANDATE CALLED FOR, INTER ALIA, MORE RAPID DISMANTLING OF SPANISH TARIFFS ON EC INDUSTRIAL PRODUCTS AND HIGHER QUOTES FOR THOSE PRODUCTS THAN SPECIFIED IN 1970 AGREEMENT, A 60 O/O REDUCTION IN SPANISH TARIFFS ON ECSC PRODUCTS BY 1981 (1970 AGREEMENT DID NOT COVER SUCH PRODUCTS), AND AN INCREASE IN SPANISH PURCHASES OF EC BUTTER FROM THE 30 O/O OF SPANISH BUTTER IMPORTS SPECIFIED IN 1970 AGREEMENT TO 70 O/O. (UNDER THE RECOMMENDED MANDATE SPAIN WOULD ALSO BE REQUIRED TO PURCHASE FROM THE EC 90 O/O OF ITS TOTAL IMPORTS OF CANNED MILK AND CREAM.)

3. SOURCES AT SPANISH MISSION HERE SAY THAT FOLLOWING COMMISSION'S TRANSMITTAL TO EC COUNCIL OF ITS RECOMMENDED MANDATE, THE SPANISH GOVERNMENT SENT TO EC CAPITALS TWO TEAMS OF OFFICIALS, HEADED RESPECTIVELY BY AMBASSADOR TO EC ULLASTRES AND SPANISH FOREIGN MINISTRY OFFICIAL RESPONSIBLE FOR INTERNATIONAL ECONOMIC AFFAIRS (BASSOLS), TO EXPLAIN SPANISH OBJECTIONS TO MANDATE. SPANISH MISSION SUGGESTS, AND COMMISSION SOURCES ACKNOWLEDGE, THAT WHILE EC GOVERNMENTS MAY NOT HAVE ACCEPTED SPANISH ARGUMENTS IN TOTO, THESE SPANISH REPRESENTATIONS WERE LARGELY RESPONSIBLE FOR SEPTEMBER 20 EC COUNCIL DECISION TO RETURN MANDATE TO COMMISSION WITH REQUEST FOR RESTUDY IN LIGHT OF SPANISH OBJECTIONS.

4. ACCORDING TO SPANISH HERE, IN REPRESENTATIONS IN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 09605 01 OF 02 010821Z

EC CAPLIALS AND TO COMMISSION, GOS HAS EMPHASIZED THE FOLLOWING: (A) WITH A VIEW TOWARD EARLY ACCESSION NEGOTIATIONS FOR EC MEMBERSHIP, THE GOS PREFERS TO NEGOTIATE NOW ONLY LIMITED, TECHNICAL ADJUSTMENTS TO THE 1970 AGREEMENT, LEAVING WIDER-RANGING DISCUSSIONS WOT THE ACCESSION TALKS. (COMMENT: APPARENTLY, THE SPANISH RESIST ENTERING BROADER TRADE TALKS NOW BECAUSE (8) THEY BELIEVE THEY CAN GET BETTER TRADE

TERMS DURING ACCESSION NEGOTIATIONS, WHEN EC-SPANISH TIES WILL BE EXAMINED IN THEIR ENTIRETY; AND (II) THEY FEAR THAT NEGOTIATION OF A BROAD TRADE AGREEMENT NOW MIGHT DISINCLINE EC TOWARD EARLY ACCESSION TLAKS); (B) IN RETURN FOR EC AGRICULTURAL CONCESSIONS, SPAIN IS WILLING TO MAKE SOME CONCESSIONS ON INDUSTRIAL TARIFFS AND QUOTAS, BUT NOT NEARLY AS RAPIDLY OR AS EXTENSIVELY AS DESIRED BY THE COMMISSION.

5. AS COMMISSION BEGINS REEXAMINATION OF NEGOTIATING MANDATE THIS WEEK, COMMISSION OFFICIALS RESPONSIBLE FOR SPAIN (CAPORALE IN CHARGE OF SOUTHERN EUROPE IN DG I, AND DG I SPANISH DESK OFFICER VON SCHUMANN) EVINCE CONSIDERABLE IRRITATION OVER WHAT THEY CHARACTERIZE AS SPANISH "RIGIDITY". ARGUING THAT SPANISH PREFERENCE FOR LIMITED "TECHNICAL ADJUSTMENTS" IN 1970 AGREEMENT PENDING BROADER ACCESSION NEGOTIATIONS IS UNDERSTANDABLE SINCE SUCH AN ARRANGEMENT WOULD UNDULY FAVOR SPAIN, COMMISSION OFFICIALS SAY THAT CURRENT NEGOTIATIONS SHOULD BROADLY ENCOMPASS AGRICULTURAL AND INDUSTRIAL TRADE BECAUSE: (A) THE 1970 AGREEMENT (AND THE 1974-5 NEGOTIATIONS WHICH PRECEDED THE CURRENT ROUND OF TALKS) ENVISAGED STEADY MOVEMENT TOWARD FREE TRADE AS SPANISH ECONOMY DEVELOPED, AND ECONOMY HAS IN FACT EXPANDED TO POINT WHERE SUCH MOVEMENT IS FEASIBLE AND EQUITABLE; AND (B) EVEN IF ACCESSION NEGOTIATIONS COME ABOUT AS SOON AS SPANISH DESIRE, ONE ASPECT OF NEGOTIATIONS WILL BE TO AGREE

CONFIDENTIAL

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PAGE 01 EC BRU 09605 02 OF 02 010820Z

12
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TO SECSTATE WASHDC 2005
INFO ALL EC CAPITALS 2550
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CONFIDENTIAL SECTION 2 OF 2 EC BRUSSELS 9605

ON INTERIM ARRANGEMENTS SPANNING PERIOD BETWEEN COMPLETION OF ACCESSION TALKS AND FULL HARMONIZATION OF SPANISH AND EC ECONOMIC POLICIES, AND MOST REALISTIC APPROACH WOULD BE TO START DEVISING SUCH INTERIM ARRANGEMENTS IN CURRENT NEGOTIATIONS. FOR A PROSPECTIVE EARLY APPLICANT FOR FULL MEMBERSHIP TO REFUSE TO NEGOTIATE FURTHER HARMONIZATION AT THIS TIME IS WHOLLY ILLOGICAL IN CAPORALE'S VIEW. CONVERSELY, SAID CAPORALE, IF A BROAD-BASED NEGOTIATIONS WERE CONCLUDED THIS YEAR AND ACCESSION NEGOTIATIONS WERE DELAYED FOR SOME REASON, THERE WOULD BE IN FORCE A MORE QUITEABLE ARRANGEMENT THAN AT PRESENT TO GOVERN EC-SPANISH TRADE OVER THE NEXT PERIOD -- AN ARRANGEMENT ACTUALLY MORE IN KEEPING WITH SPANISH DESIRES TO MOVE TOWARD FULL MEMBERSHIP.

6. AT THIS STAGE COMMISSION OFFICIALS ARE UNABLE TO PREDICT HOW THEIR REEXAMINATION OF MANDATE WILL TURN OUT BUT SUGGEST THAT DESPITE CONSIDERABLE EC COUNCIL SYMPATHY FOR SPAIN, IT IS UNREALISTIC FOR GOS TO THINK EC WILL GIVE IT ALL IT WANTS IN THESE NEGOTIATIONS. THEY NOTE, FOR EXAMPLE, THAT WHILE UK

CONFIDENTIAL

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PAGE 02 EC BRU 09605 02 OF 02 010820Z

IS PLEASED WITH NOTION OF EC-WIDE AGRICULTURAL CONCESSIONS (AS CONTAINED IN MANDATE PROPOSED BY COMMISSION), WHICH WOULD ASSURE SUPPLY OF SPANISH AGRICULTURAL PRODUCTS TO UK CONSUMERS AT PRICES CONSISTENT WITH THOSE PREVAILING UNDER PRESENT UK-SPANISH BILATERAL ARRANGEMENTS, FRANCE AND ITALY HAVE SERIOUS RESERVATIONS ABOUT PROPOSED CONCESSIONS AND CERTAINLY WILL NOT AGREE TO THEM WITHOUT OFF-SETTING REDUCTIONS IN SPANISH TARIFFS ON EC INDUSTRIAL PRODUCTS. CURRENT EXPECTATION IS THAT AS SOON AS COMMISSION AND COREPER HAVE REVIEWED THE BIDDING,

COMMISSION WILL RENEW DISCUSSIONS WITH THE SPANISH MISSION. BOTH SIDES EXPECT THESE TALKS TO BE COMPLEX. HINTON

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